

Statistics in focus

ECONOMY AND FINANCE
**GENERAL AND
REGIONAL STATISTICS**

25/2007

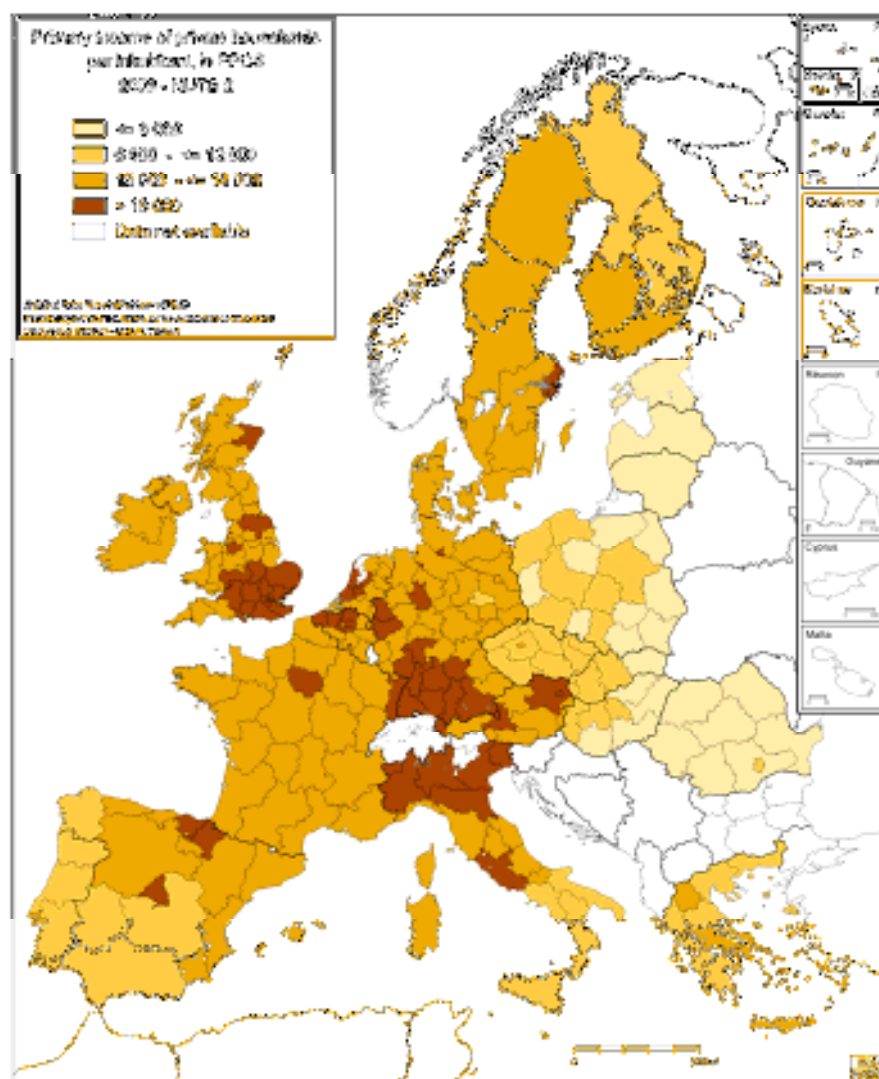
Author
Andreas KRÜGER

Contents

1. Introduction 2
2. UK regions top the table 2
3. State intervention narrows the range 3
4. Not all the new Member States are catching up 6
5. Dependence on social transfers on the increase 7

Private household income in the European Union regions, 2003

Figure 1: Primary income of private households per capita (in PPCS) – NUTS Level 2



Source: Eurostat

According to the latest estimates for 2003, primary income per capita ranged from 2 495 purchasing power consumption standards (PPCS – see p. 11) in Romania's North-East region to 27 346 PPCS in the UK's Inner London region. In the region with the highest value, primary income was thus almost eleven times that of the region with the lowest value. The region with the highest value in the new Member States was Prague in the Czech Republic, with 14 389 PPCS; this figure is slightly below the EU average.



Manuscript completed on: 27.02.2007
Data extracted on: 06.12.2006
ISSN 1977-0316
Catalogue number: KS-SF-07-025-EN-C
© European Communities, 2007

1. Introduction

The indicator most frequently used to measure the wealth of a region is regional gross domestic product (GDP). GDP is usually expressed in purchasing power standards (PPS) and per capita, to make the data comparable between regions of different size and purchasing power.

GDP is the total value of goods and services produced in a region by the persons employed in that region, minus the intermediate consumption. However, owing to a wealth of inter-regional flows and State interventions, the GDP generated in a given region does not tally with the income actually available to the inhabitants of the region. A more accurate picture of a region's economic situation can be obtained only by adding the balance of income accruing to private households.

In market economies with State redistribution mechanisms, a distinction is made between two stages of private-household income distribution.

The primary distribution of income shows the income of private households generated directly from market transactions, i.e. the purchase and sale of factors of production and goods. First and foremost here is

compensation of employees, i.e. income from the sale of labour as a factor of production. Private households may also have property income, particularly from interest, dividends and rents. Then there is also income from operating surplus and self-employment. Interest and rents payable are recorded as negative items for households at the stage of primary distribution. The balance of all these transactions is known as the primary income of private households.

Primary income is used as a basis for calculating the secondary distribution of income, which shows the State redistribution mechanism. All social benefits and transfers other than in kind are now added to primary income, and it is from this total that households must pay income and wealth taxes, pay social contributions and make transfers. The balance remaining after these transactions have been carried out is known as the disposable income of private households.

Eurostat has had regional data on these income categories for private households for a number of years now. These are recorded in the regional national accounts at NUTS level 2.

2. UK regions top the table

Figure 1 shows primary income in the NUTS 2 regions of the 22 countries featured here. There are clear centres of prosperity in the south of England, Paris, Brussels, northern Italy, Vienna, Madrid, the western Netherlands, Stockholm, as well as in North Rhine-Westphalia, Hessen, Baden-Württemberg and Bavaria. The north/south divide is clearly visible in both Italy and Spain, and the east/west divide in Germany.

In the new Member States, only the capital regions have above-average levels of prosperity, particularly Prague, Bratislava, Közép-Magyarország (Budapest) and Mazowieckie (Warsaw). These and four other Czech regions are the only ones where the primary income of households is over half the EU average.

Table 1 shows the ten NUTS 2 regions with the highest and lowest primary income per capita. Of the ten leading regions, five are in the United Kingdom, two each in Belgium and Germany and one in France. Compared with 2002, there is one more German region in this leading group and one Italian region has dropped out.

Of the ten regions with the lowest primary income, seven are in Romania (the whole country with the exception of the Bucharest capital region), the other three being made up of two Polish regions and Latvia. The composition of this group has not changed since 2002.

As the figures in Table 1 clearly show, there is still a wide range in primary income per capita in the regions of the 22 countries considered here. For 2003, the range between Inner London and North-East Romania varies by a factor of just under 11. In 1998, the

corresponding figure was 11.5. In other words, there has been a slight narrowing of the gap in primary income over the 5-year period.

Within the Member States, the range is much narrower, the values generally varying by a factor of 1.5 to 2. There are strikingly small ranges in Ireland (factor of 1.2%) and Austria, where the region with the highest primary income per capita (Vienna) is only 26% higher than that with the lowest (Carinthia). By contrast, the range in all the new Member States varies by a factor of more than 2. The highest value is recorded by Romania with almost 2.5.

Table 1: EU regions with the highest/lowest primary income in 2003

| Region | Primary income of private households per capita 2003 in PPS |
|---|---|
| Inner London (UK) | 27346 |
| Berkshire, Buckinghamshire and Oxfordshire (UK) | 24604 |
| Ile de France (FR) | 24483 |
| Vlaams-Brabant (BE) | 23842 |
| Bedfordshire and Hertfordshire (UK) | 23825 |
| Oberbayern (DE) | 23146 |
| Surrey, East and West Sussex (UK) | 23086 |
| Outer London (UK) | 22555 |
| Brabant Wallon (BE) | 22326 |
| Stuttgart (DE) | 21812 |
| ... | |
| Lubelskie (PL) | 4828 |
| Latvija (LV) | 4731 |
| Podkarpackie (PL) | 4610 |
| Vest (RO) | 4143 |
| Centru (RO) | 3588 |
| Nord-Vest (RO) | 3374 |
| Sud-Est (RO) | 3124 |
| Sud-Vest (RO) | 3023 |
| Sud (RO) | 2868 |
| Nord-Est (RO) | 2495 |

Source: Eurostat

When the data for 2003 are compared with those from 1998 to illustrate the 5-year trend, it can be seen that the ranges between regions in the new Member States and Romania are widening, albeit to different extents. One of the main reasons for this is the dynamic economic development in the capital regions, a situation that is also clearly reflected in GDP.

By contrast, the regional range in most of the EU-15 Member States has changed very little, apart from some significant narrowing in Greece and Italy, and a clear widening of the gap in the UK and Finland.

3. State intervention narrows the range

Table 2: EU regions with the highest/lowest disposable income in 2003

| Region | Disposable income of private households per capita 2003 in PPS |
|---|--|
| Inner London (UK) | 21530 |
| Surrey, East and West Sussex (UK) | 20311 |
| Berkshire, Buckinghamshire and Oxfordshire (UK) | 19957 |
| Bedfordshire and Hertfordshire (UK) | 19599 |
| Île de France (FR) | 18883 |
| Outer London (UK) | 18736 |
| Essex (UK) | 18287 |
| Emilia-Romagna (IT) | 18171 |
| Lombardia (IT) | 18045 |
| Wien (AT) | 18042 |
| ... | |
| Eesti (EE) | 5074 |
| Podkarpackie (PL) | 4916 |
| Latvija (LV) | 4659 |
| Vest (RO) | 3991 |
| Centru (RO) | 3488 |
| Nord-Vest (RO) | 3325 |
| Sud-Est (RO) | 3072 |
| Sud-Vest (RO) | 3010 |
| Sud (RO) | 2918 |
| Nord-Est (RO) | 2547 |

Source: Eurostat

Unlike primary income, disposable income is largely the result of State interventions and of other transfer payments (cf. methodological notes below). As a result of taxes withheld by the State, disposable income is generally lower than primary income.

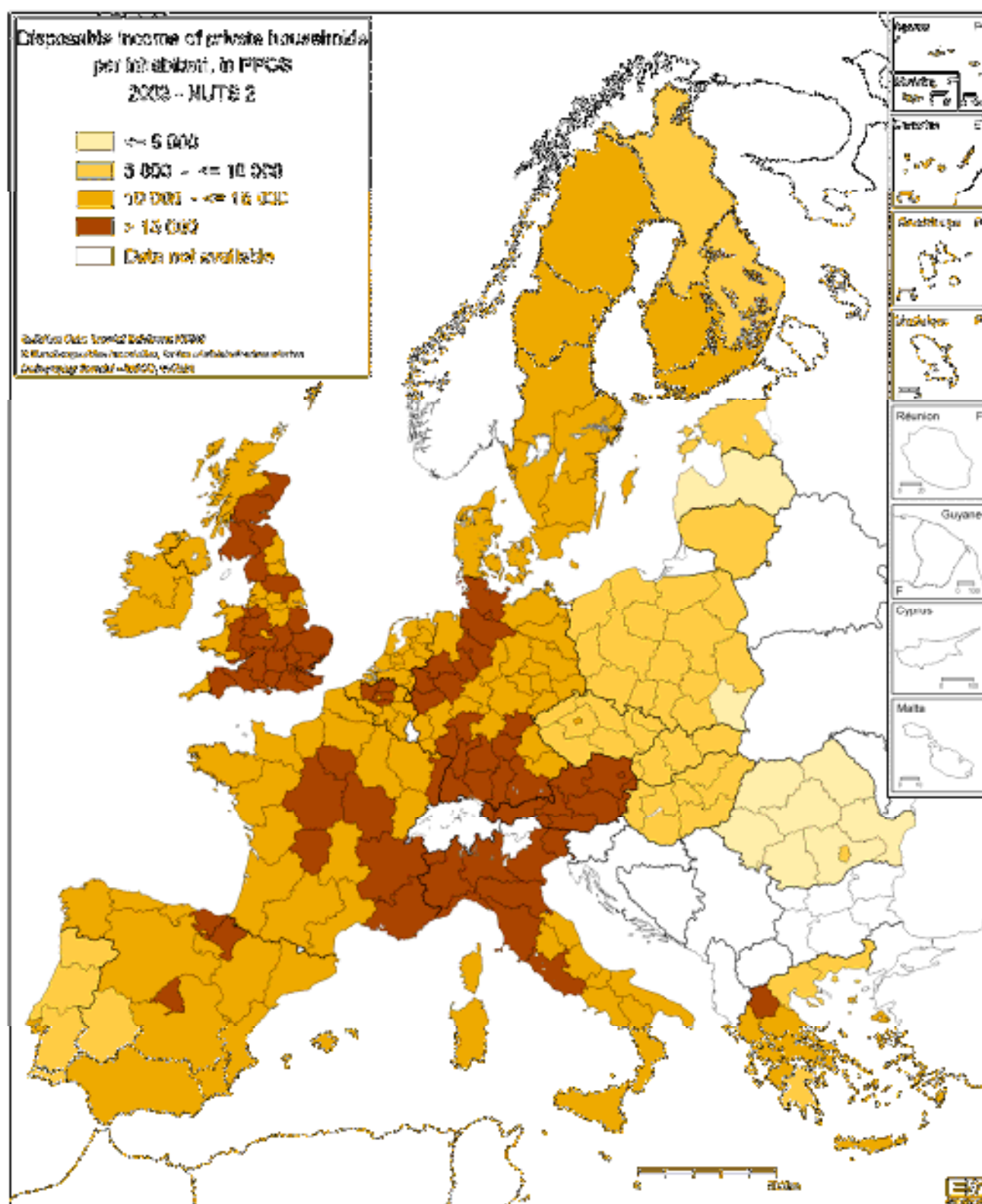
A comparison of figures 1 and 2 shows that State interventions in the form of tax levies and social contributions have a considerable levelling effect on income. There is a clear regional rebalancing of incomes in Spain and Germany, in southern and central Italy, the United Kingdom and Austria, as well as in the

Netherlands, Poland and Slovakia. As a result of State redistribution, the range between the regions with the highest and the lowest income per capita in the countries featured here has narrowed to 8.5 rather than 11 times that of the lowest. In 1998, i.e. five years ago, the range across all countries was still at 9.3. There is therefore also a slight, but clearly measurable, convergence in disposable income.

A country-based analysis shows that, in most Member States, State intervention reduces regional disparities in household income by between one-fifth to one-sixth. Germany and the United Kingdom stand out clearly here from the other Member States with the disparities being levelled by almost one-third and one-quarter respectively. Ireland and Austria show remarkably low values of just 5%, though this is not really surprising, as in both these Member States primary income was already fairly evenly distributed.

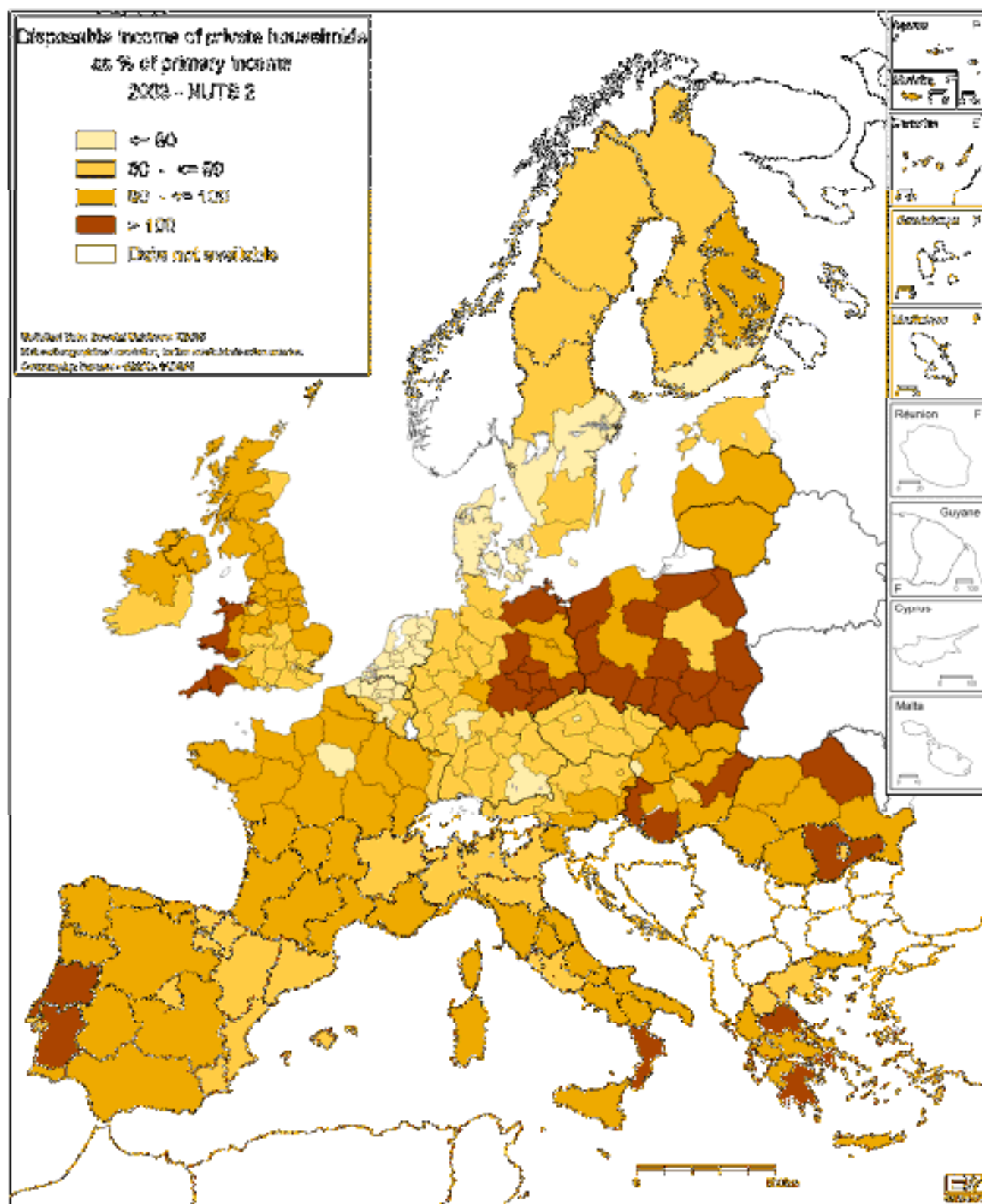
Table 2 shows the ten NUTS2 regions with the highest and lowest per capita disposable income respectively. It is interesting to compare this with primary income (Table 1), as it is noticeable that the two regions in both Belgium and Germany which are in the leading group for primary income do not feature amongst the top ten regions for disposable income. Their place in the leading group is taken by two Italian regions and one Austrian region. UK regions dominate the rankings for disposable income even more clearly than the table for primary income with 6 of the top 10 regions.

Figure 2: Disposable income of private households per capita, in PPCS 2003 – NUTS 2



Source: Eurostat

Figure 3: Disposable income of private households as % of primary income 2003 – NUTS 2



Source: Eurostat

At the other end of the scale, the ranking in both tables is virtually the same. It can be seen, however, that State intervention in household incomes in Romania and the Baltic States is on balance comparatively limited.

In other countries, the State's intervention in income distribution has a varying impact, as can be seen in Map 3. The combined effect of State intervention in the form of taxes and social contributions along with other transfers can mean that disposable income may be well in excess of primary income. In 2003, this was the case in 36 of the 252 regions looked at here. The regions concerned are concentrated in Poland (13 of the 16 regions), eastern Germany (eight regions) and the United Kingdom (four regions). The remainder are a number of regions in Greece, Hungary, Portugal, Romania and Italy.

As Table 3 shows, disposable income in all but one of these regions exceeds primary income by no more than 10%. Most of these regions are comparatively weak economically with per capita GDP of less than 75% of the EU-25 average.

A comparison with the situation in 1998 shows that there have been substantial changes over this 5-year period. Back then, disposable income was higher than primary income in just 26 regions, 7 of these being in

Table 3: EU regions with the highest disposable income in relation to primary income, 2003

| Region | Disposable income as % of primary income 2003 |
|-----------------------------------|--|
| Dessau (DE) | 110.7 |
| Chemnitz (DE) | 109.6 |
| Halle (DE) | 108.5 |
| Lubelskie (PL) | 108.3 |
| Dél-Dunántúl (HU) | 107.7 |
| Świętokrzyskie (PL) | 107.6 |
| Podkarpackie (PL) | 106.6 |
| Cornwall and Isles of Scilly (UK) | 105.7 |
| Észak-Alföld (HU) | 105.4 |
| Leipzig (DE) | 105.1 |
| Dresden (DE) | 105.0 |
| West Wales and The Valleys (UK) | 105.0 |
| Magdeburg (DE) | 104.9 |
| Śląskie (PL) | 104.7 |
| Łódzkie (PL) | 104.4 |
| Lubuskie (PL) | 104.3 |
| Alentejo (PT) | 103.9 |
| Warmińsko-Mazurskie (PL) | 103.9 |
| Centro (PT) | 103.7 |
| Małopolskie (PL) | 103.5 |

Source: Eurostat

Eastern Germany, 6 in Poland and 5 in the UK. The fact that this group has expanded considerably is primarily due to the increase in the number of Polish regions from 6 to 13. In this Member State disposable income is lower than primary income only in the economic hubs centred around Warsaw, Gdansk and Poznan.

4. Not all the new Member States are catching up

Alongside the regional comparison for a specific year, it is very important to know how incomes in the regions have developed in comparison with the EU average. In order to assess this development, it is necessary to use an EU-21 average, as no data are yet available for Cyprus, Luxembourg, Malta and Slovenia. This EU-21 average can, nevertheless, be regarded as a pretty good approximation of the EU-25 average, as the combined population of the four above-mentioned Member States is less than 1% of the total EU-25 population

As Table 4 shows, the development of primary income over the 5-year period from 1998-2003 ranges from +18.6 percentage points in Notio Aigaio (Greece) to -19.7 percentage points in Valle d'Aosta (Italy). At the top and bottom ends of the scale there are significant clusters of regions from just a few countries: for example, of the 20 regions where development has been most dynamic in relative terms, half of these are Spanish and 7 are in the UK, along with one Greek, one Czech and one Romanian. The opposite end of

the scale is made up of 11 German and 9 Italian regions, providing a clear indication of below-average macroeconomic development in these two founding members of the EU.

Another striking feature at the top end of the scale, alongside the concentration in just a few countries, is that the leading group contains only one region from the new Member States (Prague) as well as Bucuresti (Romania). A closer analysis of the data confirms the suspicion that the catching-up process in most of the regions in the new Member States has not yet been as dynamic as was hoped. This applies in particular to Poland, where only the Swietokrzyskie region has been able to catch up on the EU-21 average by 0.9 percentage points. All the other 15 Polish regions dropped back in relation to the EU-21 average. In the Czech Republic and Slovakia, a majority of the regions have lost a little ground compared to the EU average, whereas the capital regions have been able to sustain their dynamic development.

Table 4: Relative development of primary income as % of the EU-21 average, 2003 compared to 1998

| Relative development of the primary income of private households per capita (PPCS) as % of the EU-21 average, 2003 compared to 1998 | | | |
|---|------|-----------------------------------|-------|
| Region | | Region | |
| Notio Aigaio (EL) | 18.6 | Köln (DE) | -11.8 |
| Inner London (UK) | 17.9 | Schwaben (DE) | -11.8 |
| Comunidad Foral de Navarra (ES) | 16.5 | Umbria (IT) | -11.9 |
| País Vasco (ES) | 13.1 | Düsseldorf (DE) | -12.2 |
| Comunidad de Madrid (ES) | 12.7 | Detmold (DE) | -12.2 |
| Bedfordshire and Hertfordshire (UK) | 12.7 | Hannover (DE) | -12.4 |
| Bucuresti (RO) | 12.1 | Braunschweig (DE) | -12.5 |
| Aragón (ES) | 12.0 | Oberfranken (DE) | -12.7 |
| Berkshire, Buckinghamshire and Oxfordshire (UK) | 11.9 | Mittelfranken (DE) | -13.0 |
| Cataluña (ES) | 11.8 | Lazio (IT) | -13.1 |
| Praha (CZ) | 11.4 | Toscana (IT) | -13.5 |
| Cantabria (ES) | 11.1 | Liguria (IT) | -13.5 |
| Surrey, East and West Sussex (UK) | 10.0 | Oberbayern (DE) | -13.7 |
| Hampshire and Isle of Wight (UK) | 9.5 | Veneto (IT) | -14.9 |
| Kent (UK) | 9.4 | Piemonte (IT) | -15.8 |
| East Anglia (UK) | 9.2 | Lombardia (IT) | -15.9 |
| Región de Murcia (ES) | 9.0 | Schleswig-Holstein (DE) | -16.6 |
| La Rioja (ES) | 8.8 | Emilia-Romagna (IT) | -18.9 |
| Andalucía (ES) | 8.8 | Berlin (DE) | -18.9 |
| Castilla y León (ES) | 8.7 | Valle d'Aosta/Vallée d'Aoste (IT) | -19.7 |

Source: Eurostat

5. Dependence on social transfers on the increase

The results described in Section 3 suggest that the income of private households in many regions is supplemented to a considerable extent by general-government transfers (ESA variable D.62). It can be seen from Map 4 that this is primarily the case in the EU-15 countries, where social transfers account for between 20% and 40% of disposable income in most regions. Table 5 shows that peak values of up to 48% are recorded in eastern Germany (Dessau region). Denmark and some regions in Finland and Sweden also top the 40% mark, these being countries where the State traditionally plays a very strong role in the distribution of private income.

In contrast to this situation, the values recorded in the new Member States, and particularly in Romania, are substantially lower. The regions which are most dependent on social transfers in the new Member States are Eszak-Magyarország and Eszak-Alföld (Hungary) on 33.0% and 31.8% respectively, Podkarpackie and Lubelskie in eastern Poland (both 28.7%), and Moravskoslezsko (Czech Republic) on 28.6%.

Table 5 shows that the bottom end of the distribution scale is made up almost exclusively of Romanian regions, together with Bratislava (Slovakia), Lithuania and Dytiki Makedonia (Greece). Of the EU-15 countries, only Greece and Spain record values which are as low

as in the new Member States, i.e. in the 15% to 25% range.

Table 5: EU regions with the highest/lowest social transfers in relation to disposable income, 2003

| Region | Social transfers as share of disposable income 2003 (in %) |
|-----------------------------|--|
| Dessau (DE) | 48.1 |
| Halle (DE) | 47.9 |
| Övre Norrland (SE) | 46.7 |
| Chemnitz (DE) | 46.0 |
| Norra Mellansverige (SE) | 45.5 |
| Leipzig (DE) | 45.1 |
| Magdeburg (DE) | 45.0 |
| Mecklenburg-Vorpommern (DE) | 45.0 |
| Mellersta Norrland (SE) | 44.8 |
| Dresden (DE) | 44.7 |
| ... | |
| Nord-Est (RO) | 16.1 |
| Sud-Vest (RO) | 15.5 |
| Lietuva (LT) | 14.8 |
| Dytiki Makedonia (EL) | 14.7 |
| Sud-Est (RO) | 14.5 |
| Centru (RO) | 14.5 |
| Bucuresti (RO) | 13.9 |
| Nord-Vest (RO) | 13.8 |
| Vest (RO) | 13.4 |
| Bratislavský kraj (SK) | 12.6 |

Source: Eurostat

Map 5 shows the trend over the 5-year period from 1998 to 2003. It can be seen that there has been a further increase in the dependence of private households on social transfers in many EU regions. The most striking trend in the EU-15 countries is in Portugal, where in parallel to the decline in macroeconomic growth, the dependence of private household incomes on social transfers has risen by over 3% in almost all the mainland regions. The trend in Germany was similar, with further increases in the proportion of social transfers in 35 of 41 regions, including in relatively affluent western German regions such as Oberfranken and Niederbayern in Bavaria or Hannover and Lüneburg in Lower Saxony. In Belgium and especially in Greece, the substantial increases in social transfers have occurred alongside positive macroeconomic development; these countries have clearly made use of the macroeconomic leeway available to proceed with the regional redistribution of income. In contrast to this, dependency on social transfers has fallen slightly in Spain and the Netherlands, and there were significant reductions in relative terms in France, Finland and Sweden.

In the new Member States and in Romania, there was a distinct lack of uniformity in the trend between 1998 and 2003. Whereas the regions of the Czech Republic recorded increases of 2-3% in the proportion of social transfers, the figures fell significantly in Slovakia and especially in Romania. Hungary shows the largest increases, which is all the more remarkable for the fact that the Hungarian data only relate to the period from 2000 to 2003. In all four countries, these figures reflect the impact of government policy to increase or reduce the regional redistribution of income. The trend in Poland, on the other hand, has followed a different pattern. Whilst the proportion of social transfers has only risen slightly overall, the increases were more substantial in the economically weaker voivodships (regions) in the south and east of the country and those bordering Germany.

Table 6: EU regions with the greatest changes in social transfers as share of disposable income between 1998 and 2003

| Region | Change in social transfers as share of disposable income 2003/1998 in percentage points |
|-------------------------|---|
| Dél-Dunántúl (HU) | 8.5 |
| Voreio Aigaio (EL) | 6.7 |
| Attiki (EL) | 5.3 |
| Norte (PT) | 4.7 |
| Peloponnisos (EL) | 4.7 |
| Thessalia (EL) | 4.6 |
| Moravskoslezsko (CZ) | 4.6 |
| Dytiki Ellada (EL) | 4.4 |
| Severozápad (CZ) | 4.4 |
| Opolskie (PL) | 4.4 |
| ... | |
| Midi-Pyrénées (FR) | -3.2 |
| Groningen (NL) | -3.3 |
| Lorraine (FR) | -3.4 |
| Centru (RO) | -3.5 |
| Pohjois-Suomi (FI) | -3.5 |
| Etelä-Suomi (FI) | -3.8 |
| Åland (FI) | -4.1 |
| Nord-Est (RO) | -4.3 |
| Nord-Pas-de-Calais (FR) | -4.6 |
| Latvija (LV) | -6.7 |

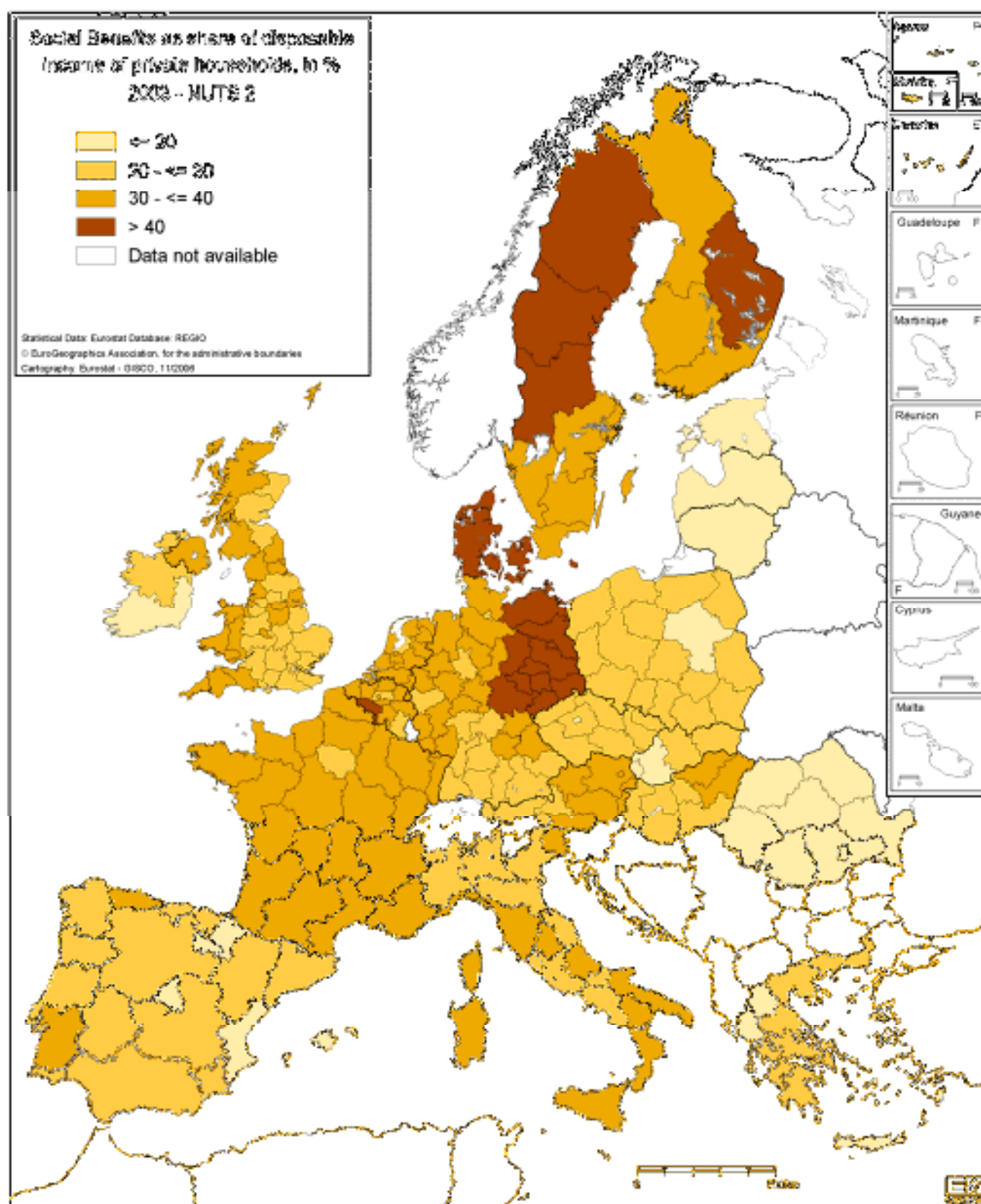
Hungary: Change in 2003 compared to 2000

Source: Eurostat

Table 6 shows the ten NUTS2 regions recording the highest and lowest changes in social transfers as a percentage proportion of disposable income. The ten regions at the top end of the distribution scale feature 5 in Greece, including the Attiki capital region, and two in the Czech Republic. The greatest increase was recorded by the Hungarian region of Dél-Dunántúl.

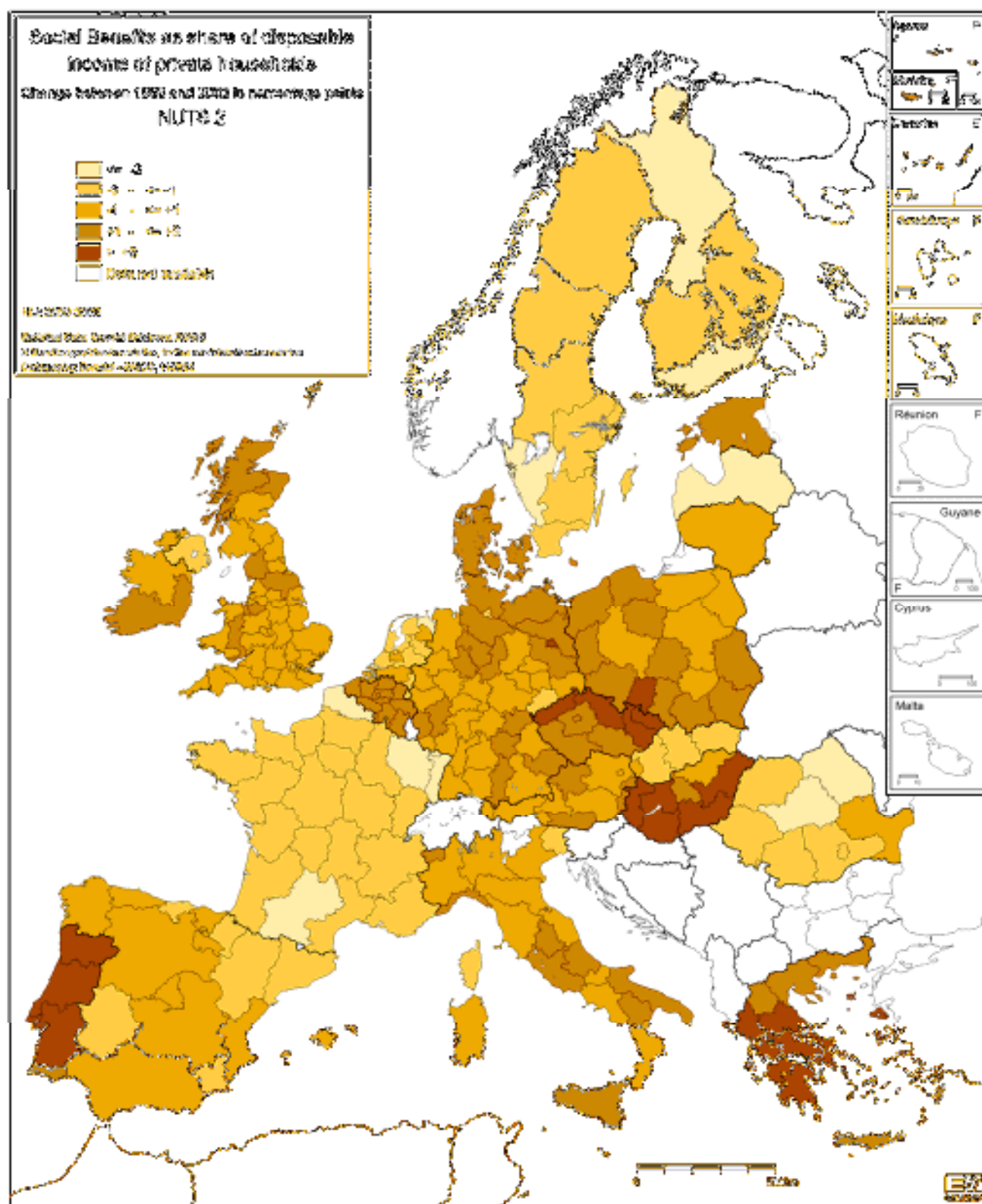
There is less of a geographical concentration at the bottom end of the scale. This ranking is composed of three Finnish and three French regions along with two Romanian regions and one in the Netherlands. The greatest reduction in the proportion of social transfers was -6.7 percentage points in Latvia.

Figure 4: Social benefits as share of the disposable income of private households in %, 2003 – NUTS 2



Source: Eurostat

Figure 5: Social benefits as share of the disposable income of private households – changes between 1998 and 2003 in percentage points – NUTS 2



Source: Eurostat

➤ ESSENTIAL INFORMATION – METHODOLOGICAL NOTES

Prior to an analysis of household income, a decision must be made about the unit in which data are to be expressed if comparisons between regions are to be meaningful. For inter-regional comparisons, regional GDP is generally expressed in purchasing power standards (PPS), the aim being to allow a volume-based comparison. Data on the income of private households should be treated accordingly. Therefore data on income of private households are recalculated using PPS consumption components. These are known as PPCS (purchasing power consumption standards).

Eurostat does not yet have a complete set of data at NUTS 2 level. Data are still not available for the following regions: Provincia Autonoma Bolzano and

Provincia Autonoma Trento in Italy, Cyprus, Luxembourg, Malta and Slovenia. Data for Ceuta and Melilla in Spain and the French overseas departments are not yet available for all years. Data for Hungary are available since 2000, and for Romania since 1998. 21 Member States provided data on a total of 248 regions at NUTS level 2.

Data which reached Eurostat after 16 October 2006 are not included in this publication. All the data are available online on Eurostat's website (see page 12 for the link).

In the European System of Accounts, the distribution of income accounts are defined as follows:

Primary distribution of the income of private households account

| Uses | Resources |
|--------------------------------|--|
| D.4 Property income | B.2/B.3 Operating surplus/mixed income |
| | D.1 Compensation of employees |
| B.5 Balance of primary incomes | D.4 Property income |

Secondary distribution of the income of private households account

| Uses | Resources |
|---|--|
| D.5 Current taxes on income, wealth, etc. | B.5 Primary income |
| D.61 Social contributions | D.62 Social benefits other than social transfers in kind |
| D.7 Other current transfers | D.7 Other current transfers |
| B.6 Balance of disposable income | |

Further information:

Data: [EUROSTAT Website/Home page/General and regional statistics/Data](#)

 **General and regional statistics**

 European and national short term indicators


 **Regions**

 Agriculture

 Demographic statistics

 **Economic accounts - ESA95**

 Gross domestic product indicators - ESA95

 Branch accounts - ESA95

 **Household accounts - ESA95**

Journalists can contact the media support service:

Bech Building Office A4/125
L - 2920 Luxembourg

Tel. (352) 4301 33408
Fax (352) 4301 35349

E-mail: eurostat-mediasupport@ec.europa.eu

European Statistical Data Support:

Eurostat set up with the members of the 'European statistical system' a network of support centres, which will exist in nearly all Member States as well as in some EFTA countries.

Their mission is to provide help and guidance to Internet users of European statistical data.

Contact details for this support network can be found on our Internet site: <http://ec.europa.eu/eurostat/>

A list of worldwide sales outlets is available at the:

Office for Official Publications of the European Communities.

2, rue Mercier
L - 2985 Luxembourg

URL: <http://publications.europa.eu>
E-mail: info-info-opoce@ec.europa.eu
